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5 May 2009

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2009 MAY -6 A 9:46

AZ CORP COMMISSION
DOCKET CONTROL

Judge Jane Rodda
Arizona Corporation Commission
Docket Control
1200 West Washington St.
Phoenix, AZ 85007

Re: Addition to SSVEC rate case, docket # E-01575A-08-0328

Dear Honorable Rodda:

SSVEC is requesting a rate increase. We have no way to judge whether this increase is valid. Based on previous communications from SSVEC, this is questionable.

We have found over the past year that SSVEC has not been quite truthful in what they present. Case in point: SSVEC is asking their members to take their word that the proposed 69kV line is the best, most cost effective way to bring reliable power to the Sonoita, Elgin and Patagonia areas.

SSVEC has sent out communications to their members and have presented half-truths and lied by omission. I would like to demonstrate what I am talking about and counter some of what SSVEC is publishing. In an attempt to keep this within reason, I will only address the last two mailings.

Respectfully,

Jeanne Horsmann

Arizona Corporation Commission
DOCKETED

MAY -6 2009

DOCKETED BY

Jeanne Horsmann
PO Box 334
Sonoita, AZ 85637
520-455-5137

Attach: Horsmann rebuttal to SSVEC communications – 5/09 (original and 13 copies)

CC: SSVEC BOD
John Maynard, SCC Supervisor
Creden Huber, SSVEC
Jack Blair, SSVEC

Letter sent out to SSVEC members April 2009.

PAGE 1

"We have thoroughly studied all reasonable alternatives"

They have never presented proof of this. They were asked in December 2008 to consider alternatives. These alternatives were not addressed until April 2009. No analyses were ever made available to their members. There is no discussion of a local community renewable distributed generation plant to reduce load demands on the existing line. What will $13.5 million do towards that end?

"We have listened to public comments and have modified our plans wherever possible, including moving a proposed substation to a better site suggested by area residents."

At the very first meeting in July 2008, the substation was presented as moved. There was never the question of it being located at the original site. Furthermore, the original site could probably not be used as planned without extensive changes since it is located in a flood zone that floods badly every monsoon season and the area is zoned for 'general/residential' not industrial/business.

"The route we have chosen is the most cost-effective way to solve the growing reliability problems in the Sonoita/Elgin/Patagonia area."

This has never been proven. Bottom line dollars have been given for a few alternatives but the probable cheapest alternative, to double-circuit the existing line, has never been addressed. Cost breakdowns for any alternative have never been given. How can we judge the accuracy of these numbers without any breakdowns?

The 50 year old line to Patagonia is just now having lightning arrestors installed. This could have been done years ago, increasing Patagonia's reliability. This activity was not included in the Sonoita Reliability Project presentation July 2008.

"The route we have chosen is the fairest to all of SSVEC's ratepayers."

Since there are only approximately 2,400 meters in this area and approximately 40,000 meters in SSVEC's service area, this statement means nothing. We are only 6% of their business. Of the 2,400 meters in this area this route is not necessarily the fairest. That is a subjective statement, and there is another route that would affect fewer meters.

"The chosen route affects the fewest landowners."

Not true, the chosen route actually affects 12 more lots than an unconsidered alternative route parallel to SR 83.

"The chosen route visually affects the fewest members."

Not true, the chosen route is more visible to the community than an alternative route that runs parallel to SR 83.

"The construction of this line is absolutely necessary and must begin without further delay.

This line has reached capacity only during peak use. By employing energy saving measures, this community can reduce consumption thus reducing the peak load. SSVEC could work with the community to reduce consumption. This would be a far cheaper solution.

"We are sending this letter to provide full details and to respond to several information requests we have received over the past few months...and as part of our promise to the ACC to investigate alternatives..."

Full details have not been provided, and never have. The questions we have submitted have not been answered. The alternatives have been selectively investigated. Only higher cost alternatives have been addressed. Cheaper alternatives exist.

PAGE 2

"The industry standard is to have two or more lines providing service out of a substation, which provides back-up capability from one line to another. Such connections are called "loops".

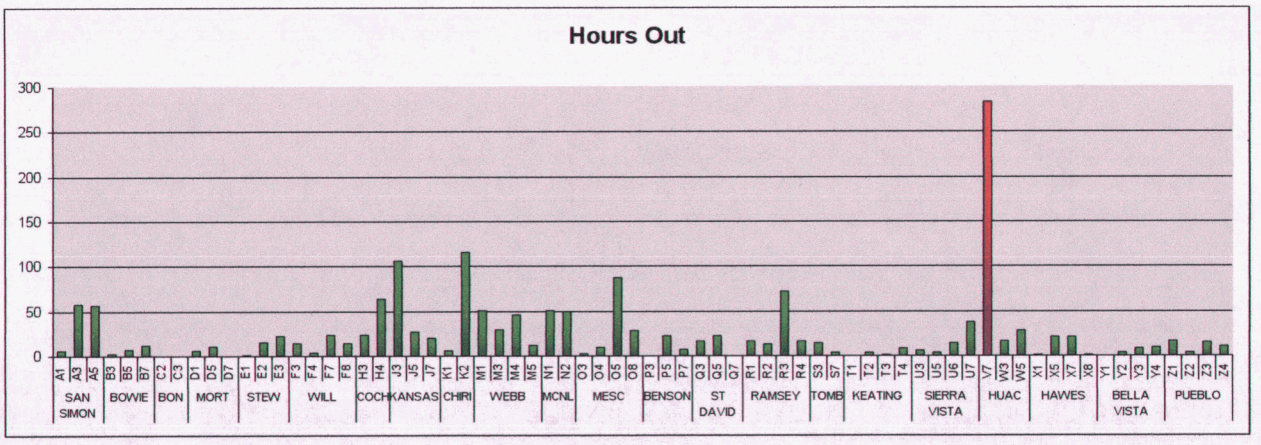
This statement is misleading. It implies that the new line will supply a loop to this area. In fact, there will still be only one line to the Sonoita substation. We have repeatedly asked for 'looped' service. We asked SSVEC specifically at the meeting in July 2008 if this line would form a loop and were told in no uncertain terms that it would not. The existing line will turned into one of the four distribution loops from the Sonoita substation.

The 'loops' discussed here do not take into consideration the possibility of a renewable power pant which provides a second power source to these communities.

"Much of this single line travels through diverse landscapes...Outage times are often long because of the time required to get into the terrain and patrol the line looking for the cause of the outage."

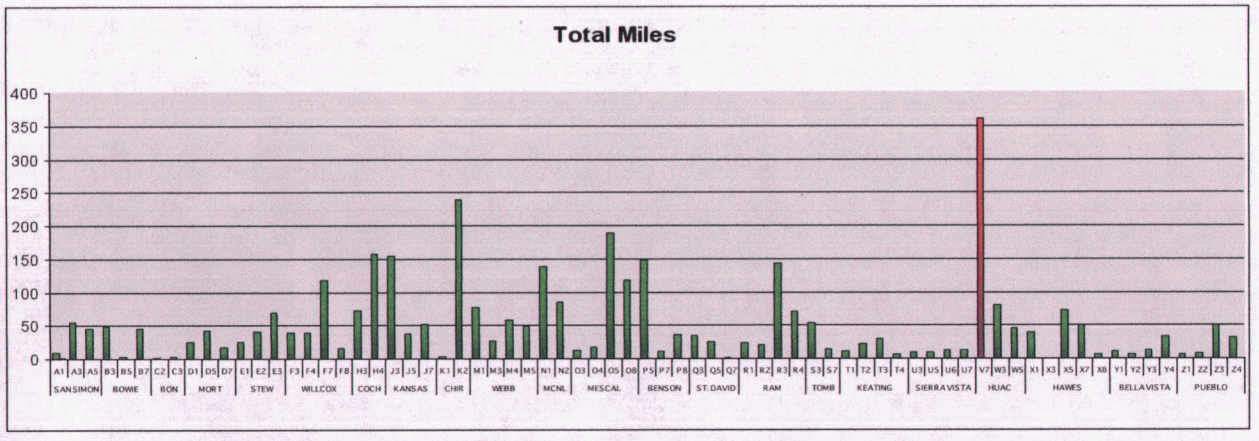
Putting in the planned 69kV line will not make the situation better; in fact it will make it worse. The new line will traverse the edge of the Babacomari Ranch. There are no access roads to this area. SSVEC has stated they will not put a road in. To drive from the entrance of the ranch to this area can take betwen 30 minutes to 2.5 hours. This area is extremely rugged and some of it is not accessible to trucks larger than a pickup. Response times will increase.

"V-7 Outages per Year"



This graph is very misleading. We were unable to obtain the data behind this figure. But, we did obtain data for 11 months of 2008. The V-7 feeder outages for that time were only 180. In the same timeframe the J-3 feeder had 197, K-2 had 240 and O-5 had 392, all greater than our V-7.

"V-7 Length in Miles Compared to all SSVEC Feeders"



This graph too is very misleading. The total length of line for the V-7 feeder is over 350 miles, but the actual 23kV line from Huachuca City to Sonoita is only about 35 miles. The other 315 miles are distribution feeders to individual homes and small neighborhoods.

In 1982, SSVEC purchased the 69kV sub-transmission easements…"

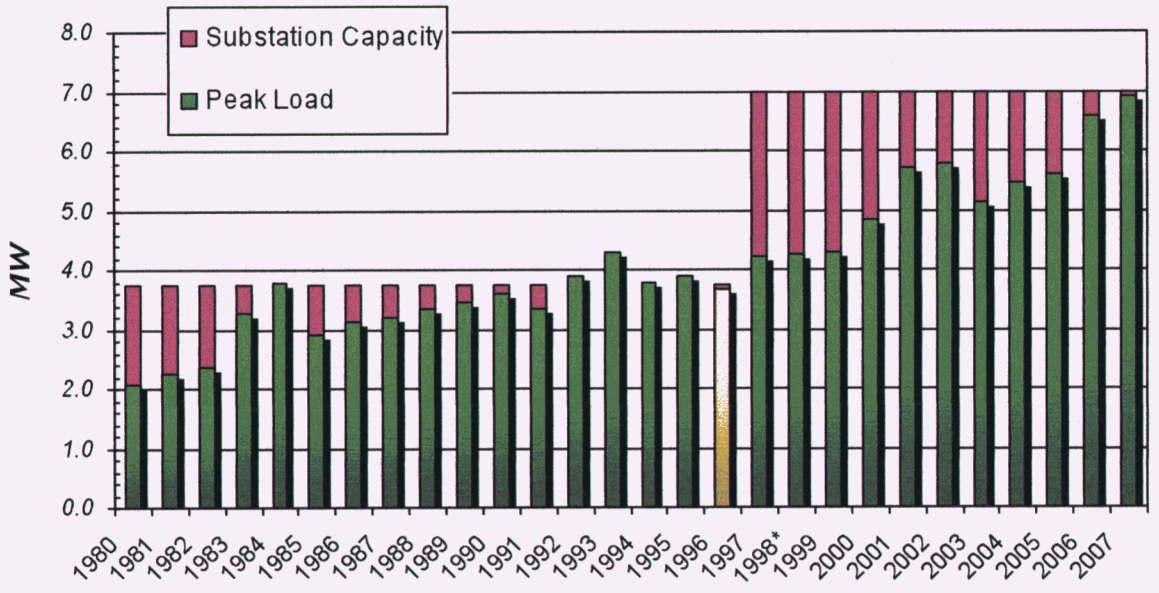
When SSVEC purchased the easement across the Babacomari Ranch the technology was such that the poles were envisioned to be 35' wood poles. Not the 65' cement, steel, or fiberglass poles that are now used today.

PAGE 3

"In 1996…we took advantage of as many technological updates as possible to avoid building this line until absolutely necessary."

What about non-technological updates? Demand side management? Why is this never an option for working with the community?

Huachuca Substation Reaching Capacity



In 1984, when the Huachuca Substation reached capacity, what did SSVEC do to reduce the load by over 20%? This has never been discussed.

Official growth projections for Sonoita, Elgin and Patagonia predict less than 2.3% per year (282 people) for the next five years. If 1 MW = 250 homes (575 people) then the demand for these 3 communities for the next five years will average about 0.1 MW/year. It will take 10 years for these three communities to consume one additional MW. What was our peak load for 2008?

A 1 MW renewable energy plant built every five years would more than cover the increasing demand.

"In 2007, SSVEC again conducted an in-depth analysis of all of the options to ensure electric reliability and concluded that the only remaining viable, cost-effective solution was to construct the 69kV line…"

Why was this in-depth analysis never presented to the members? This might have answered our questions. We have no way of knowing what options were considered, what the trade-offs were. There is no mention of reducing the peak load by working with the community to reduce that load, a much cheaper option.

PAGE 4

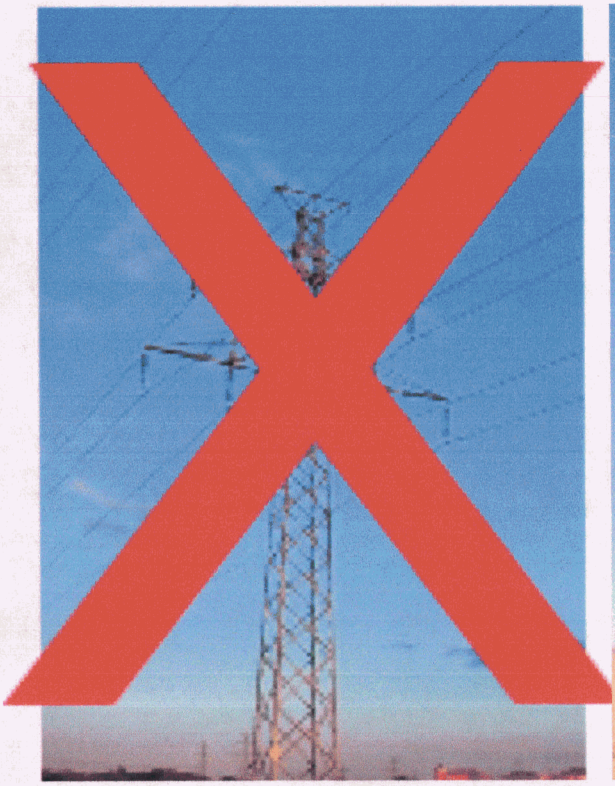
"The solution…eliminate the long radial length of the V-7 feeder by establishing four separate, shorter feeders…Sectionalized individually, meaning that if an outage occurs on one feeder, it will not interrupt any of the consumers on the other feeders."

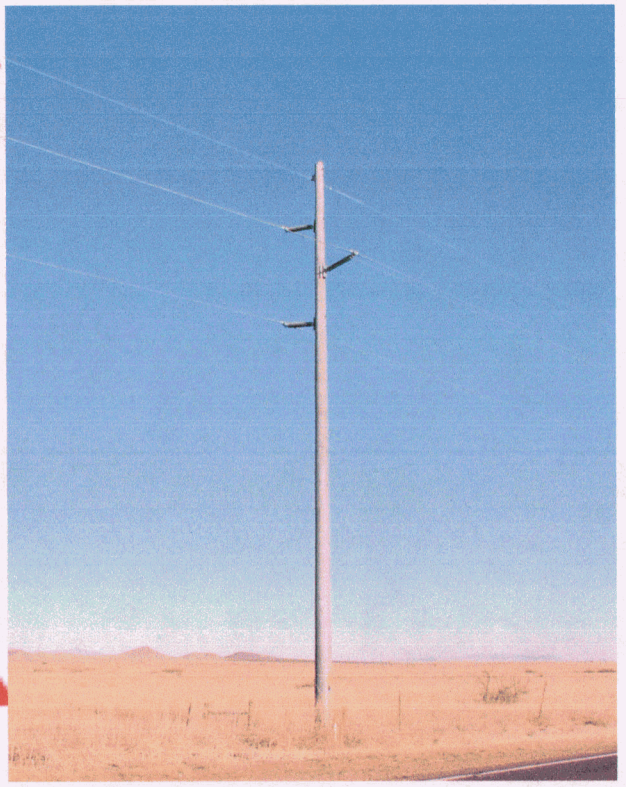
There are approximately 2,400 meters on the V-7 feeder. The outage data from 2008 shows that 63% of the outages affected only 1 meter. 90% affected 10 meters or less. Only 3 outages affected a significant number of meters. Establishing 4 distribution loops will not change the 63% of outages that affected only 1 meter.

The data also shows that the majority of the outages, 71%, are due to birds, animals, lightning, or unknown reasons. These types of outages will continue even with a new 69kV line, as they were located on the distribution feeders. The outages to the main 23kV line were due to wind and 'other'. 'ACR/OCB Open' caused the largest outage, affecting 1700 meters.

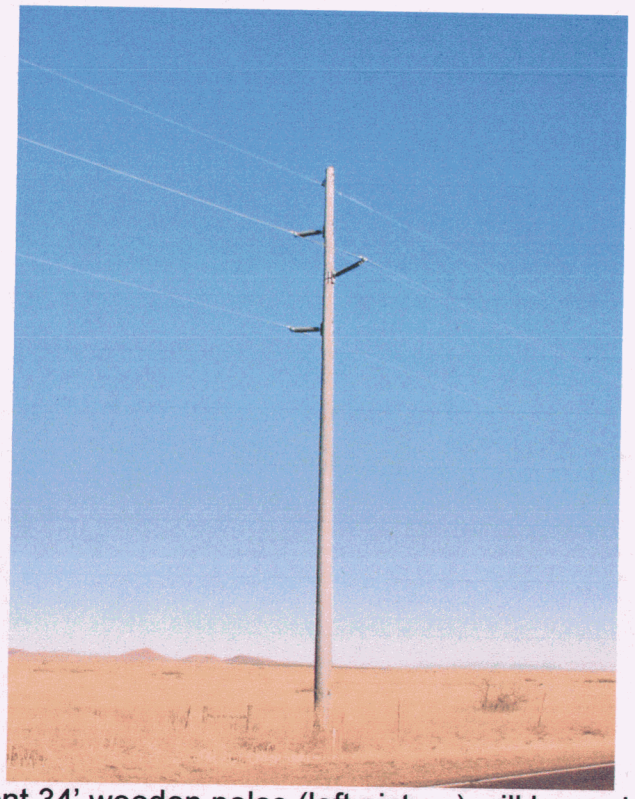
The Santa Cruz County Comprehensive Plan states, "…all new transmission lines must be buried"

The costs of these four separate, shorter feeders have not been included in this budget nor have their routes. How much more will the members have to pay for this? The people impacted by these new loops have not been a part of this discussion. Where are the "ties" planned? What are the predicted reliability numbers?





These pictures are false and misleading. They imply that the new monopoles will be used instead of a lattice structure. Not true, a lattice structure would not be used for a 69kV line.


The current 34' wooden poles (left picture) will be replaced by 64' poles. (Pictures sized appropriately)

"…we prepared an initial engineering study and solicited input from our members who are affected by this line."

This line can be seen by the entire community. It affects the entire community. Input was not solicited from the community until SSVEC made their presentation of what they had decided to do at the public meeting 22July 2008.

"SSVEC also has held several public meetings in the community regarding this project: March 28, 2008 (meeting with the community to discuss the project)"

On March 2, 2008, SSVEC requested that the community (Sonoita, Elgin and Patagonia) provide a committee to act as liaison between the community and SSVEC. The community held a meeting on March 22 and representatives were chosen. SSVEC was notified that the committee had been chosen but refused to meet with them. SSVEC took issue with three of the committee members. What meeting was held between the community and SSVEC on Friday, March 28?

PAGE 5

"Based on member input, SSVEC has made several changes…Moving the original substation from a residential area to an industrial/commercial location."

They presented this change at the first meeting. They had not asked for community input at this time. The original site of the substation was inappropriately located in a residential neighborhood and in an active floodplain.

"Using narrow-profile mono sub-poles with smaller arms...we have reduced the visual impact as much as possible."

The new poles will be almost twice the height of old wood poles. The visual impact is not reduced. People are used to the smaller wooden poles and these new taller poles stick out like 'sore thumbs', just drive around Tucson or Sierra Vista where the new 64' poles are installed.

"On a portion of the route, the existing overhead distribution lines will be converted to underground to allow 69kV poles at least 10 feet shorter than originally planned."

This was not done until the neighborhood affected filed almost unanimous complaints and as a group refused to sell SSVEC the needed additional easements.

PAGE 6

"By now I hope we have made it clear that SSVEC considered many options before making the final decision on where to build, and what kind of system to build, to ensure quality and reliable service to all of our members in the Sonoita/Elgin/Patagonia area."

SSVEC did not discuss any options with the community before presenting their plan in July 2008. The only options discussed at that time concerned the three-mile portion of the line that went through the Sonoita Hills residential area. The route for the rest of the line was not open to discussion.

By presenting the community with a chosen route before the community had a chance to comment on the route and then presenting the routes not chosen, a "not in my backyard" issue arose. The community became divided between those on the chosen route vs. those on routes that weren't chosen. It wasn't until later that a few people looked at the entire route and realized what a negative impact this entire project would have not only on the residential neighborhood directly involved but on the grasslands, wildlife, ancient cultural sites, and the community as a whole.

"The route that SSVEC has chosen (Option One – described above) is the most cost efficient route, affects the fewest members, and uses existing easements."

SSVEC has <u>not</u> demonstrated that this is the most cost efficient route. They have given us bottom line costs with no backup to explain how they came up with these numbers, no comparison between labor, material, time, etc. What makes upgrading the existing line so expensive? They have only given us bottom line costs for 4 other options. These are by no means the only options. What is the cost of double-circuiting the existing line? Why will SSVEC not release these calculations?

The chosen line does not affect the fewest members. If you look at a plat map of the route through Sonoita Hills, 58 lots border the chosen route. An alternative route proposed to SSVEC along SR 83 affects 46 lots.

"The cost to build this route and substation is $13.5 million."

In July 2008 the cost for this route was $7.9 million. Why has the cost risen by $5.6 million in less than one year? What are the costs of the associated four distribution loops from the Sonoita substation that must be designed and built? SSVEC has given us no reason to believe any of the cost figures they have presented.

"Rebuilding the line while energized would be slow, expensive, and dangerous to our linemen as the line would have to be rebuilt with the lines energized."

Rebuilding lines while energized is done all the time. If the linemen are properly trained in safety practices and procedures the danger is mitigated. And does it really cost $5 million more to work on 23 miles of energized line?

"In addition, the majority of this route has been designated a part of the 2000 Las Cienegas Conservation Area..."

This is untrue. If you look at the Coronado National Forest, Sierra Vista Ranger District map, you will find that maybe three miles goes adjacent to or through the LCNCA. The rest of the 23 miles goes through State Trust land or private property.

"Option Three: Build along the current option, but instead bury the 69kV sub-transmission line underground."

This is a red herring. The question was posed by the community but never seriously considered as an option because it was understood that burying a sub-transmission line was four to eight times more expensive.

PAGE 7

"Option Four: Build the substation at the original Buchanan Substation location."

This was never presented as an option. At the first presentation in July 2008, the substation was presented as moved to an industrial/commercial location in Sonoita. The original location in Sonoita Hills was inappropriate as it was located in an active floodplain. Also, if SSVEC wishes to make Sonoita a distribution hub, then the new location is more suitable as it is closer to the intersection of SR 82 and 83. But, SSVEC has repeatedly stated that they moved the substation site in response to requests from the community. They may have discussed this previously with residents of Sonoita Hills, but they never polled the community about moving the substation to its currently planned location.

PAGE 8

"Option Five: Interconnect with the Tucson Electric Power (TEP) 46kV sub-transmission line...This power line serves Fort Huachuca and does not have enough capacity available for a substation to carry the additional load of the Sonoita/Elgin/Patagonia area."

The TEP 46kV line to Ft. Huachuca is a backup line for the Fort but is rarely used, only when there is an outage on the TEP 128kV line to the Fort. This line can provide up to 22 MW. Ft. Huachuca currently has a peak demand of 10-20 MW. Sonoita, Elgin, and Patagonia have a peak demand of 7 MW. Without an upgrade to the TEP line, this option was presented to SSVEC as a backup option for emergency use only, e.g. when there was a problem with the substation at Mustang Corner. Furthermore, Ft. Huachuca is building it's own power generation, and its reliance on this line will decrease.

"TEP is bound through their Certificate of Convenience and Necessity by a special bonding arrangement which strictly limits their ability to serve outside two counties."

This is true, but according to the TEP Director, Line Siting Services, TEP can provide a backup for SSVEC with the 46kV Ft. Huachuca line during an emergency. The main cost for this would be the transformer for 46-23kV. TEP would be willing to work with SSVEC on this so it would be mutually beneficial to both.

"Additional rights-of-way adjacent to the TEP line would be required which will be expensive."

How expensive? Depending on where the interconnect was made, at SR 82 or along Lower Elgin Rd where the current line runs: a few thousand dollars?

"SSVEC's short cost analysis..."

What short cost analysis? Show us.

"IN SUMMARY - SSVEC listened to the community input and wherever possible made changes."

The only 'changes' SSVEC made was to offer to bury the distribution lines to the homes in Sonoita Hills and shorten the poles in this neighborhood. This was only after the residents refused to sell SSVEC additional easement width.

"The V-7 feeder has reached its maximum capacity, and, in fact, has exceeded it several times recently which resulted in reduced voltage (brownouts), blinks, and some outages."

Analysis of 2008 outage data does not back up this statement. For 11 months of 2008 (November data was not available) 90% of the outages affected 10 or less meters. Only 3 outages affected a significant number of meters. 1 outage affected 1700 meters, cause 'other', 1 outage affected 580 meters, cause 'wind', 1 outage affected 45 meters, cause 'wind'. There are over 2,400 meters in the Sonoita, Elgin, and Patagonia area. There were no documented brownouts or outages that affected the V-7 line due to overreaching maximum capacity.

"The new substation and 69kV line must be built now. Without this critical new infrastructure, SSVEC will have no choice but to invoke a moratorium on new services in this area..."

This is a blatant threat and scare tactic. SSVEC could work with the community to decrease the community consumption, e.g. Demand Side Management.

For years SSVEC has urged members to purchase heat pumps. Heat pumps do not work well when the temperature drops below 40 degrees, causing them to run excessively. This area frequently has temperatures below freezing in the winter. SSVEC should never have promoted heat pumps to this area.

A community education program for energy conservation would cost far less than the proposed line.

Installation of 'smart thermostats' similar to what Austin, Texas has done. The utility signals the thermostat during peak demand. The thermostat modulates on/off cycle, with little or no change in customer comfort level. Austin was able to reduce their peak load by 45 MW.

"SSVEC considered many options before making its final decision on what the best solution was for all of the members served by the V-7 feeder...as well as being just and equitable to all SSVEC members."

SSVEC may have made their decision but they have not shown that their decision is best for the members served by the V-7 feeder. Nor have they shown that this decision is just and equitable to all SSVEC members. Educating the community to decrease its energy consumption and forgoing building this expensive line and substation would benefit the entire membership.

Future power needs would be better served by local generation of power utilizing renewable resources. The stimulus package has options to help get over any funding gaps. The current V-7 feeder line has the capacity for local, small (1-3 MW) renewable energy plants. This would benefit not only SSVEC's members but also the environment. We can be a model for rural Arizona and the nation: Local generation of power from renewable resources.

<u>SSVEC 2008 Annual Report</u>

"Energy experts say that our nation's growing electricity needs will soon go beyond what renewables, conservation and efficiency can provide."

This statement is false and misleading. If the utilities (SSVEC included) and the consumers start now to install renewable energy generators on homes, businesses, and distributed renewable energy power plants (wind, solar, biomass) we can more than meet our nation's growing electricity needs. Local generation of power will reduce demand on large, long transmission lines and provide more reliable, higher quality power. In addition, many small generating facilities pose less of a terrorist target than a few larger plants. But it will take an attitude change on the part of the utilities, SSVEC included, and an education of the consumers.

"MEMBER COMMUNICATIONS. SSVEC communicates news to its members through our monthly bill inserts..."

SSVEC told me that they would advertise our Renewable Energy Expo in the monthly bill insert. There was no mention of the Expo when the April issue came out. SSVEC was fully informed of the date and exhibitors in plenty of time to be included in the calendar of events.

"ADDITIONAL REVENUE SOURCES. ...joint use contracts (other utilities attaching to our poles)...

In regard to the route of the proposed 69kV line, we asked why SSVEC couldn't share the TEP 46kV easement that brought backup power to Ft. Huachuca. SSVEC said that it was not possible to share with TEP, that there were too many obstacles to overcome, that it would be too expensive.

Conclusion: SSVEC has not been truthful either with this community nor the rest of the cooperative members. There may be other purposes for this line than to bring reliable power to the Sonoita/Elgin/Patagonia area. For example:

> In accordance with the 2007 SATS plan, make Sonoita a distribution hub to eventually sell power to Mexico, the Rosemont mine, and the mines planned for the Patagonia and San Rafael Valley areas.

Recommendations:

1. SSVEC could work with the community to reduce consumption and relieve stress on the line.

2. SSVEC could work with the community to install alternative power generation in the local community utilizing renewable energy and thus remove the 'need' for a $13.5 million 69kV line.

A partnership between SSVEC and the community is possible and would be a win-win solution.